

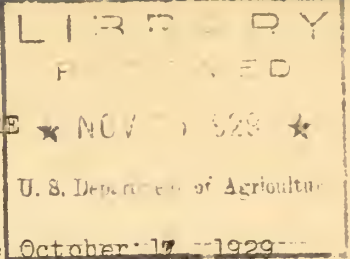
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UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics  
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THE TOBACCO PRICE SITUATION, OCTOBER 1929

FLUE-CURED TOBACCO

The flue-cured tobacco price outlook is better than a month ago. Recent reports indicate favorable demand conditions in China about which there has been some uncertainty; stocks of flue-cured tobacco in the United Kingdom appear to be smaller than a year ago; and an increase in domestic demand similar to the increases of other recent years is expected. The quality of the crop is better than last year. These favorable factors are partly offset by the increased production indicated by October 1 crop conditions, the indicated production now being 11 million pounds larger than on September 1 and 22 million pounds larger than last year's crop of 741 million pounds.

Prices to October 15

The prices paid for the 1929 crop to date have not been greatly different from those paid for tobacco of similar quality in 1928. The average price on local markets in 1928 was 17.6 cents per pound compared with 21.3 cents in 1927. The average price on local markets for the five years 1922 to 1926, inclusive, was 23.9 cents per pound. The average price on local markets for U. S. Type 14, grown in Georgia and Florida was 18.4 cents per pound in 1929 compared with 12.8 cents in 1928 but the quality of the 1928 crop was extremely poor and the 1929 crop the best since the section became an important producer of flue-cured tobacco. This type comprises approximately 13 per cent of the flue-cured crop. The price of U. S. Type 13, grown in South Carolina and southeastern North Carolina, will probably average approximately 3 cents per pound higher in 1929 than in 1928, but the crop is better than last year. This type comprises approximately 17 per cent of the crop.

The average prices to date for U. S. Type 12, grown in eastern North Carolina is slightly more than two cents per pound lower than that for the corresponding period last year but the quality of the crop is, below that of last year. This type comprises approximately 32 per cent of the crop. The prices for U. S. Type 11 on the markets that have opened are not greatly different from those on the same markets for the corresponding period of last year. This type is grown in central and north central North Carolina and southern Virginia and comprises approximately 38 per cent of the crop. The crop in this section appears to be better than last year.

As the season has advanced, cutters and good leaf appear to be selling slightly higher and lugs and poor leaf slightly lower. In North Carolina and Virginia prices higher than those of recent weeks are

expected partly because the offerings usually are comprised of a large proportion of the better grades during the latter part of October and November and partly because of the improved demand situation. During the past seven years the average price on local markets in North Carolina was 5.4 cents per pound or 36 per cent higher in October than September and 2.1 cents per pound or 10 per cent higher in November than in October. Usually prices decline toward the close of the season due to an increasing proportion of low grade offerings (See Table 1 and chart for monthly prices on selected markets).

#### Supply situation

As a result of the low prices of last year the acreage of flue-cured tobacco was reduced slightly this year. However, crop reports indicate a higher yield per acre and a crop larger than that of last year is expected. On July 1, stocks were larger than a year earlier. The total supply of flue-cured tobacco this year, stocks on hand July 1 plus current crop indicated by October 1 crop conditions is 1,353 million pounds, compared with 1,306 million pounds in 1928 and 1,182 million pounds the previous year.

The production, stocks and disappearance of flue-cured tobacco have increased rapidly in recent years. In 1916 approximately 263 million pounds were produced. Production increased until in 1920, 631 million pounds were harvested. Following the small crop of 1921, production was again increased until 593 million pounds were grown in 1923. A smaller crop was grown in 1924 following which production has been increased until the production, indicated by October 1 crop conditions this year, is 763 million pounds. (See Table 2 and chart)

Stocks and disappearance have increased at similar rates, and these changes must all be considered together in order to explain prices at any given time. Since 1916 the increase in disappearance of flue-cured has been at an average rate of approximately 33 million pounds a year. Prior to 1916 the increase was at a slightly lower rate. Allowing for this average increase in disappearance and considering both the stocks on hand and current crop as supply, we reach conclusions as to the number of months' supply that have existed at the beginning of each season since 1916. These are, with the average season's price opposite, in each case, as shown on the following page:



Year	Month's supply	Price per pound
	Number	
1916	22.5	19.0
1917	22.3	30.5
1918	26.4	34.3
1919	25.2	44.6
1920	26.6	21.1
1921	22.6	21.7
1922	20.9	29.0
1923	23.8	22.3
1924	19.8	22.5
1925	21.3	20.0
1926	19.8	25.6
1927	21.8	21.3
1928	22.9	17.6
1929	22.6	-

The figures showing the number of months supply at the beginning of each season are arrived at as follows: Beginning with the domestic disappearance of 1916 and adding 37 million pounds each succeeding year we arrive at what may be considered a normal disappearance figure for each year. By dividing this normal disappearance figure for each year into the total supply, stocks on hand July 1 plus current crop, for that year, we arrive at a figure that represents the number of years supply that existed at the beginning of the season. This is then reduced to a monthly basis by multiplying by twelve.

When measured on the above basis the supply of flue-cured tobacco this season is slightly smaller than last season but larger than that of any other year except 1928, since 1923. The supply is larger than the average since 1920 but smaller than the average prior to that time. The prices for the years 1917, 1918 and 1919 are of little significance because of the higher price level at that time. During the remainder of the period the supply and quality of crop appear to be the important factors affecting the price.

#### Domestic demand

Approximately one half of the large increases in the consumption of cigarettes in recent years have been reflected in increases in the consumption of flue-cured tobacco. During the past four years the domestic consumption of flue-cured has increased at a steady rate which has averaged approximately 5 per cent a year. During this same period cigarette consumption has increased at an average rate of approximately 10 per cent a year. (See table 3 and chart).

Stamp sales for cigarettes by the Bureau of Internal Revenue during May, June, July and August this year are approximately 12 per cent larger than those for the corresponding months last year, indicating that the increase in cigarette consumption for the year beginning July 1 is being fully maintained. If cigarette consumption runs ten per cent above that of last year and the consumption of flue-cured tobacco five per cent above that of last year, the domestic consumption of flue-cured tobacco for the year beginning July 1, 1929 will be approximately 317 million pounds compared with 302 million pounds for the year ended June 30.

#### Foreign demand

The increase in the consumption of American grown flue-cured in foreign countries appears to be even more marked than the increase in this country. Exports for the year ended June 30, 1929 were 414 million pounds compared with 329 millions for the year ended June 30, 1928 and 269 millions for the previous year. The United Kingdom and China are the principal importing countries. (See table 4 and chart).

Exports were exceptionally heavy during and just following the 1928 marketing season and lighter than usual during the remainder of the year. This was due to large takings by China during the first part of the year when stocks were being built up in anticipation of increases in import and excise duties. During the past two months exports have been larger than during corresponding period of 1928. The exports of July 1929 were 13.7 million pounds compared with 11.2 millions July 1928. The exports for August 1929 were 31.4 million pounds compared with 13.0 millions in August 1928. (See table 5 and chart).

In view of the large takings by China during the early part of last season there has been uncertainty as to whether the Chinese trade would be in the market for large quantities of tobacco this season. However, recent reports indicate that the factories in China have been so active during the past few months that they have absorbed the large imports of last season. At the present time neither factory stocks nor stocks in the hands of independent dealers in flue-cured tobacco in China state that their market is in a healthy condition. It appears that the cigarette business in China has continued very active and at the present time the volume of sales is at as high a level as at any time in the history of the business in China. With stocks that are not burdensome and the present good prospects for the cigarette business there are grounds for believing that the exports to China this season will compare favorably with the large exports of last season. The increased exports during July and August this year over those for the corresponding months last year have gone largely to China and the United Kingdom.

The exports of flue-cured tobacco to the United Kingdom have increased substantially in recent years. While exports to the United Kingdom were large last season they do not appear to have been excessive and according to trade reports, stocks in the three ports of entry (London, Liverpool and Glasgow) on August 31, 1929 were smaller than a year earlier. Colonial grown flue-cured tobacco does not appear to be making much headway in displacing American grown tobacco and some increase in exports to the United

Kingdom this season over those of last season appears probable. In general, conditions appear favorable in other countries to which flue-cured tobacco is exported.

#### Production in foreign countries

Decreased foreign production of flue-cured tobacco this season, compared with last, is indicated by reports from the majority of countries growing this type. Short crops are reported for the British countries of South Africa, which constitute the most important producing area for this type of tobacco outside of the United States. In southern Rhodesia the 1929 crop flue-cured tobacco is estimated at 7.6 million pounds compared with 24.0 million pounds in 1928. Small crops of cigarette tobacco are expected in Nyasaland and the Union of South Africa. Stocks from these countries in the United Kingdom appear slightly larger than a year ago. However, the total supply of cigarette tobacco from these countries this season, will probably be smaller than that of last year.

The Canadian crop of flue-cured tobacco grown in Ontario is smaller than last year because of an acreage reduction and frost damage. The Chinese crop of flue-cured tobacco, from American seed, is estimated to be from 5 to 10 million pounds larger than last year. Reports have not been received from Japan and Chosen (Korea), but the production in these countries is of minor importance.

Table 1. - Tobacco, flue-cured: Average price per pound  
on selected markets, by months, 1925-26 to 1928-29

Month	1925-26	1926-27	1927-28	1928-29	1929-30
	Cents	Cents	Cents	Cents	Cents
<u>Rocky Mount</u>					
September.....	17.11	25.86	18.10	15.28	13.89
October.....	27.27	24.92	22.53	21.36	
November.....	29.84	27.24	26.49	22.78	
December.....	26.54	23.91	22.22	20.30	
January.....	24.69	22.19	19.19	17.26	
February.....	19.83	-	10.19	-	
<u>Greenville</u>					
September.....	18.30	25.69	18.59	15.65	13.11
October.....	30.48	30.70	25.19	23.63	
November.....	31.47	30.03	27.17	24.45	
December.....	25.98	25.50	22.15	21.02	
January.....	22.30	21.38	17.40	16.50	
February.....	16.08	14.14	-	-	
<u>Wilson</u>					
September.....	18.71	25.57	18.09	15.64	13.73
October.....	30.32	27.92	24.18	22.95	
November.....	30.37	28.13	27.26	23.77	
December.....	28.53	24.72	22.72	19.19	
January.....	27.21	21.98	21.00	17.19	
February.....	23.27	-	-	-	

Division of Statistical and Historical Research. Compiled from monthly reports issued by the State Federal Departments of Agriculture, Crop Reporting Service, Raleigh, N. C.



Table 2.- Tobacco, flue-cured: Production, stocks and disappearance  
1913-1929

Year	Production	Stocks July 1	Total supply	Disappearance
	: Million pounds	: Million pounds	: Million pounds	: Million pounds
1913 .....	282.8	211.0	493.8	262.3
1914 .....	275.4	231.5	506.9	238.3
1915 .....	312.0	268.6	580.6	301.2
1916 .....	263.3	279.4	542.7	289.3
1917 .....	358.8	253.4	612.2	319.9
1918 .....	487.1	292.4	779.5	452.2
1919 .....	487.5	327.3	814.8	510.6
1920 .....	630.8	304.2	935.0	451.9
1921 .....	371.4	483.1	854.5	413.8
1922 .....	408.8	440.7	849.5	410.8
1923 .....	592.9	438.7	1,031.6	555.0
1924 .....	436.8	476.6	913.4	451.1
1925 .....	576.3	462.3	1,038.6	583.2
1926 .....	564.5	455.4	1,019.9	553.4
1927 .....	715.9	466.5	1,182.4	617.4
1928 .....	741.0	565.0	1,306.0	716.0
1929 .....	763.2	590.0	1,353.2	

Division of Statistical and Historical Research. Production compiled from records of the Division of Crop and Livestock Estimates; stocks compiled from reports of the Bureau of Census.

Table 3.- Tobacco, flue-cured: Domestic consumption of imports of  
cigarette leaf, withdrawals of cigarettes, and smoking and chewing,  
1924-1929

Year ended June 30	Domestic consumption, flue-cured	Imports, cigarette leaf	Cigarette withdrawals	Smoking and chewing withdrawals
	: Million pounds	: Million pounds	: Million pounds	: Million pounds
1924 .....	289.0	21.0	204.0	340.6
1925 .....	243.6	46.0	223.7	371.8
1926 .....	258.8	39.4	249.9	376.2
1927 .....	264.7	59.2	269.7	361.7
1928 .....	288.5	48.4	292.8	348.7
1929 .....	302.0	43.8	324.9	339.7

Division of Statistical and Historical Research. Imports of cigarette leaf compiled from reports of the Department of Commerce; withdrawals of cigarettes and smoking and chewing compiled from reports of the Bureau of Internal Revenue.

Table 4. - Tobacco, flue-cured: Domestic consumption and exports, United States, 1924-1929

Year ended June 30	Domestic consumption	Exports			
		Total	Country to which exported		
			United	China	All other
			Kingdom		
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
1924.....	289.0	266.0	120.8	53.1	92.1
1925.....	243.6	207.5	100.6	47.4	59.5
1926.....	258.8	324.4	153.5	93.6	77.3
1927.....	264.7	266.7	134.9	71.8	82.0
1928.....	288.5	328.9	157.5	68.8	102.6
1929.....	302.0	414.4	171.4	131.3	111.7

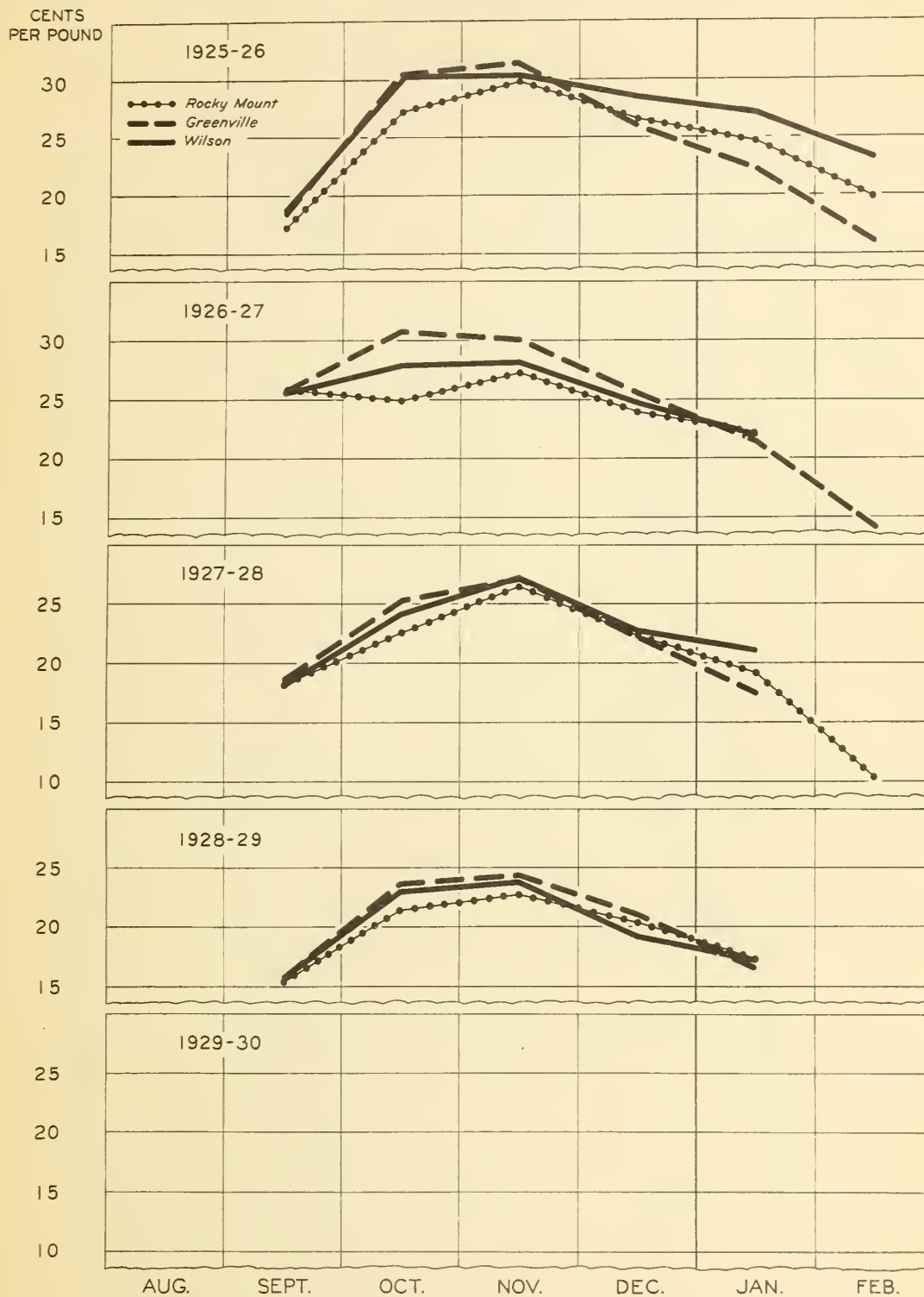
Division of Statistical and Historical Research. Exports compiled from official records of the Bureau of Foreign and Domestic Commerce.

Table 5. - Tobacco, flue-cured: Total exports, by months, July 1923 - August 1929

Month	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29	1929-30
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
July.....	9.8	11.7	13.2	14.3	12.8	11.2	13.7
Aug.....	9.6	5.4	14.7	9.0	12.9	17.0	31.4
Sept.....	18.5	16.0	30.4	26.4	27.9	47.0	
Oct.....	23.9	35.1	37.5	38.7	38.1	76.2	
Nov.....	29.7	24.6	39.8	36.3	40.9	56.2	
Dec.....	31.3	29.6	57.6	31.5	37.4	60.4	
Jan.....	35.9	21.1	32.6	44.4	30.8	29.5	
Feb.....	22.7	13.0	29.6	26.3	28.6	36.2	
March.....	34.3	13.5	22.8	21.8	30.5	15.8	
April.....	21.8	15.1	21.0	12.4	26.5	19.1	
May.....	13.1	11.9	10.8	14.4	22.9	19.2	
June.....	15.3	10.4	14.2	11.2	19.6	18.6	
Total....	265.9	207.4	324.2	266.7	328.9	414.4	

Division of Statistical and Historical Research. Compiled from the monthly summaries of the Foreign Commerce of the United States.

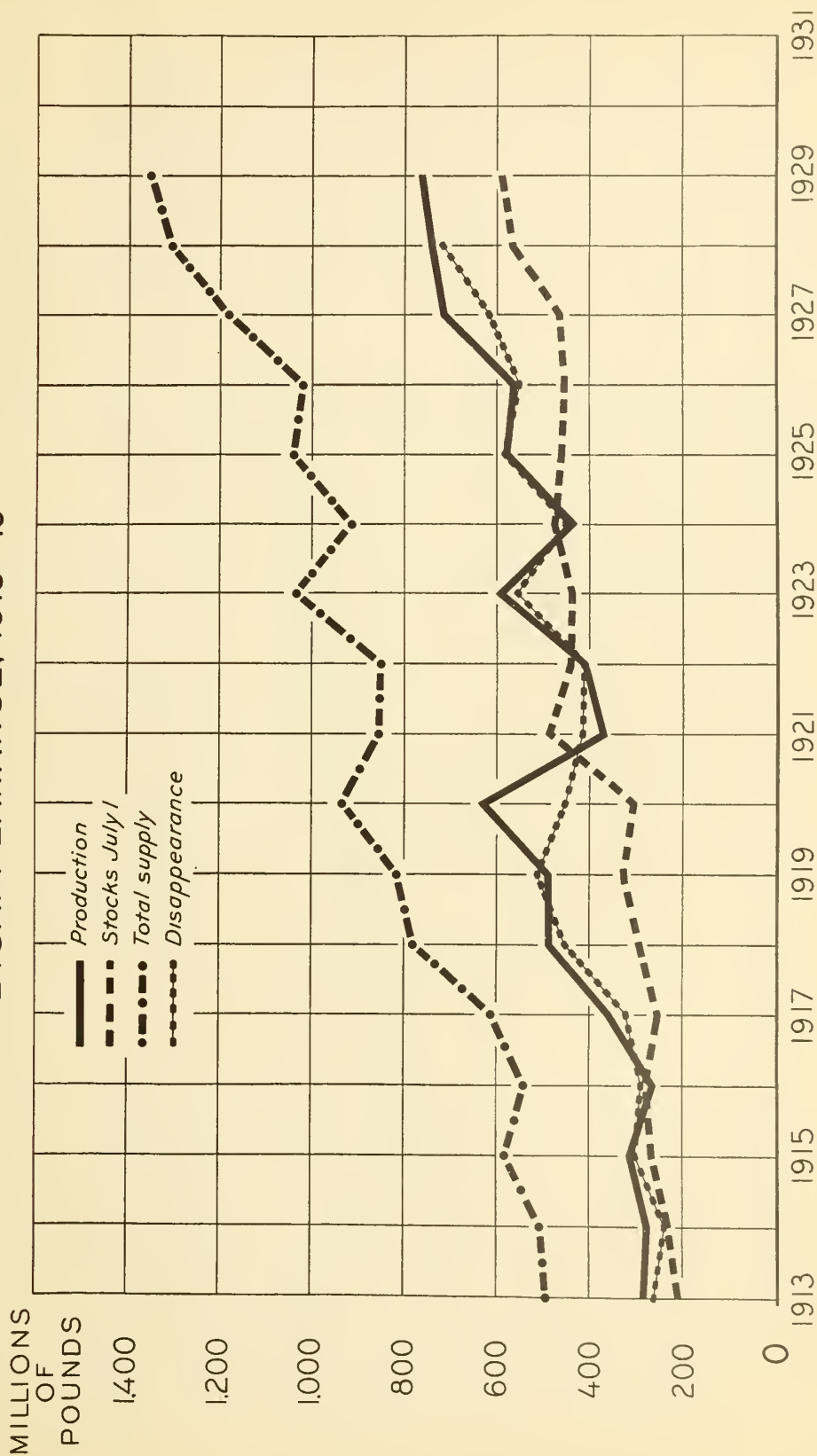
# FLUE-CURED TOBACCO: AVERAGE MONTHLY PRICES ON SELECTED MARKETS, 1925-26 -





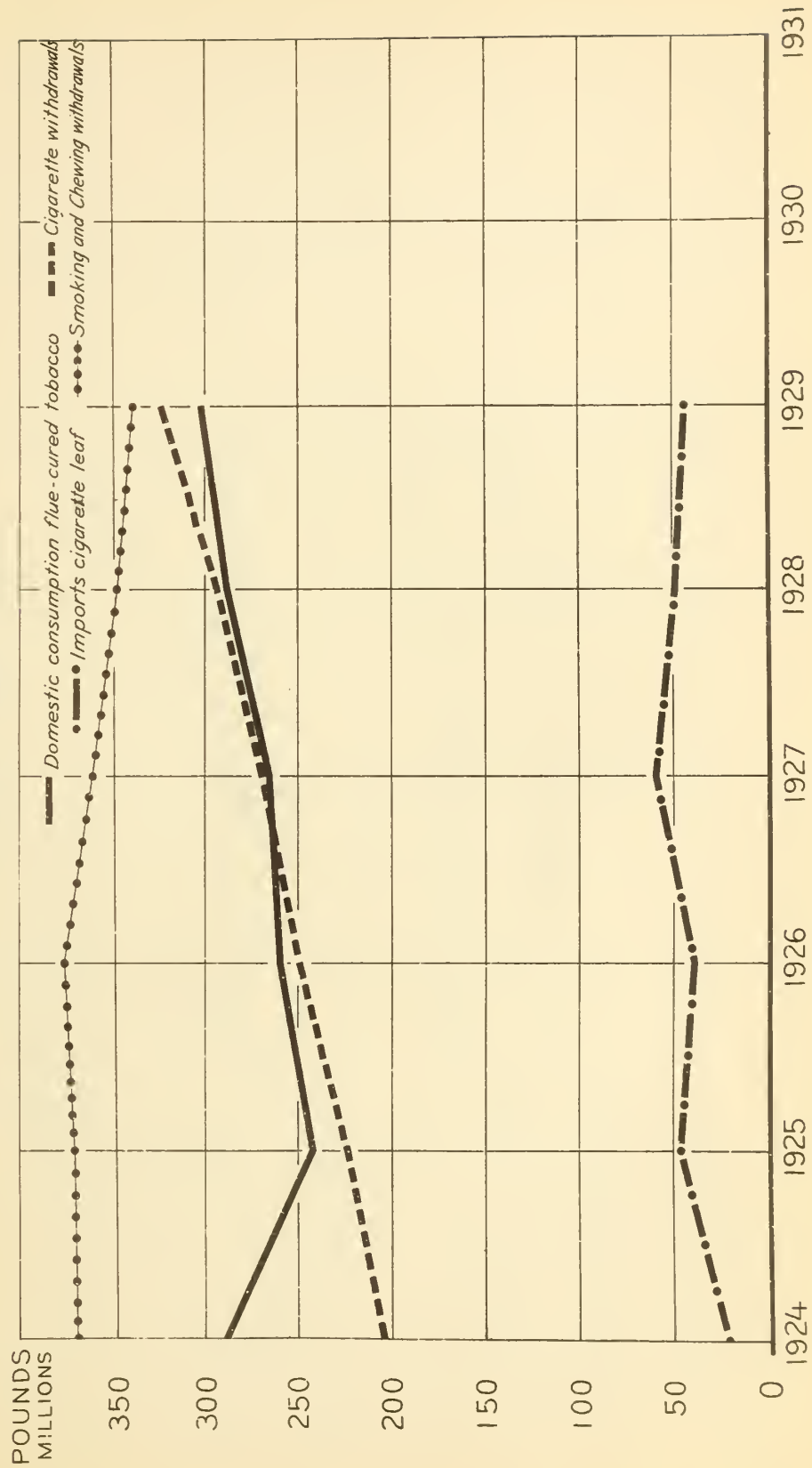


# FLUE-CURED TOBACCO: PRODUCTION, STOCKS JULY 1, AND DISAPPEARANCE, 1913-19





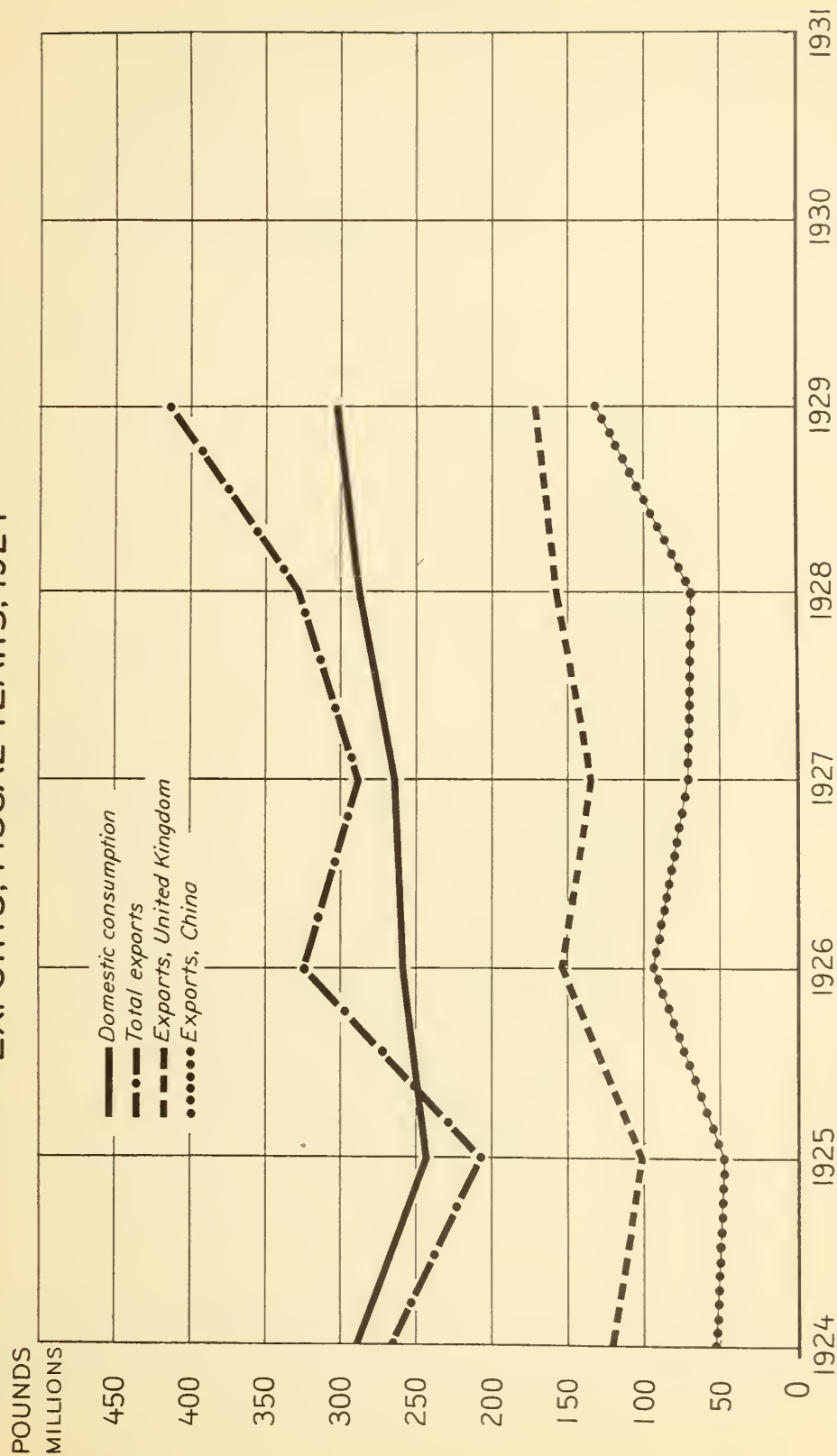
# TOBACCO: DOMESTIC CONSUMPTION OF FLUE CURED, IMPORTS OF CIGARETTE LEAF WITHDRAWALS OF CIGARETTES, AND SMOKING AND CHEWING Fiscal Years, 1924 -







# FLUE-CURED TOBACCO: DOMESTIC CONSUMPTION, AND EXPORTS, FISCAL YEARS, 1924 —



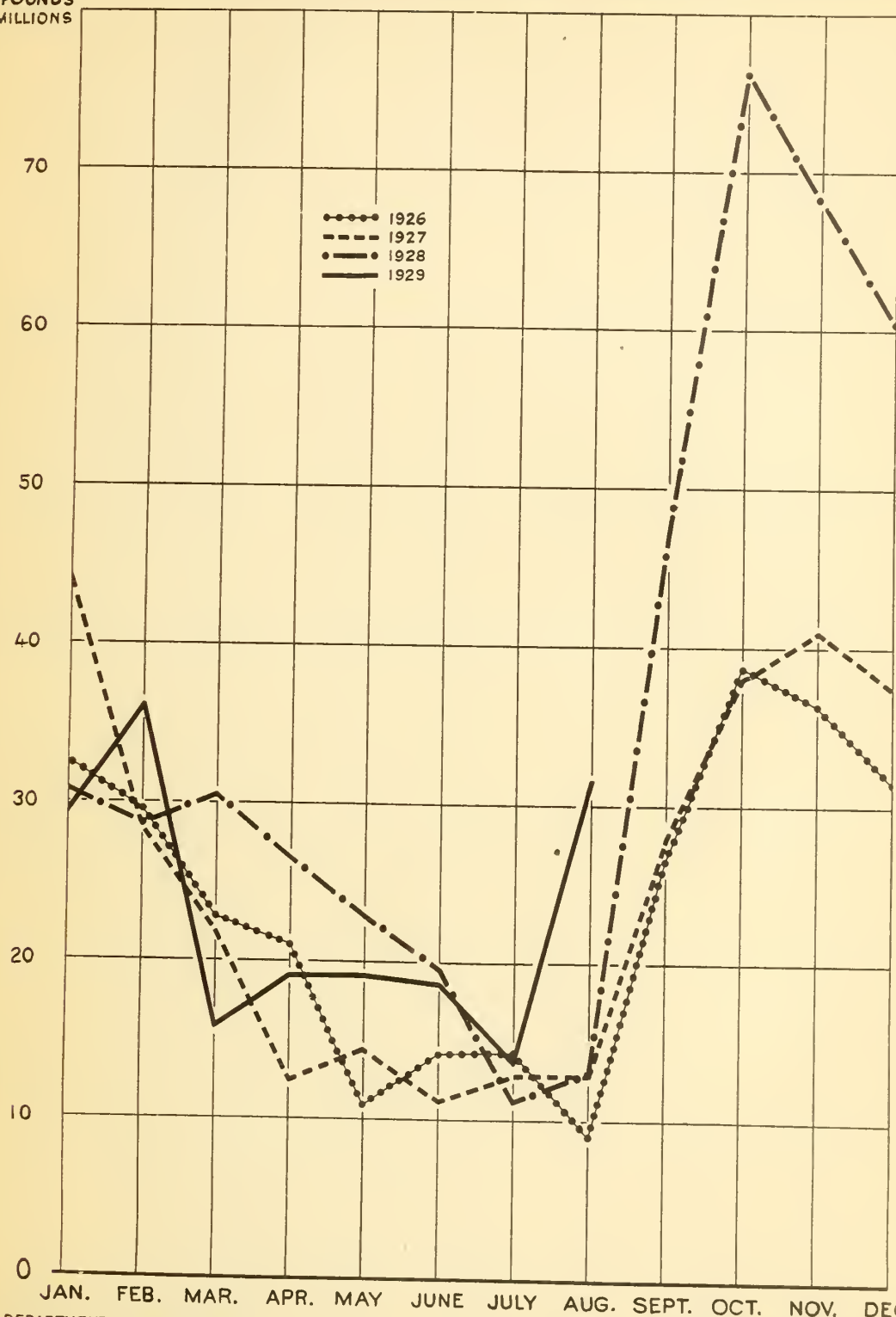
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# FLUE-CURED TOBACCO: TOTAL EXPORTS BY MONTHS, JAN. 1926-1929

POUNDS  
MILLIONS



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